

LMP REAL ESTATE INCOME FUND INC.
Form N-Q
November 23, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21098

LMP Real Estate Income Fund Inc.
(Exact name of registrant as specified in charter)

55 Water Street, New York, NY
(Address of principal executive offices)

10041
(Zip code)

Robert I. Frenkel, Esq.

Legg Mason & Co., LLC

100 First Stamford Place

Stamford, CT 06902
(Name and address of agent for service)

Registrant's telephone number, including area code: (888) 777-0102

Date of fiscal year end: December 31

Date of reporting period: September 30, 2010

ITEM 1. SCHEDULE OF INVESTMENTS

LMP REAL ESTATE INCOME FUND INC.

FORM N-Q

SEPTEMBER 30, 2010

LMP REAL ESTATE INCOME FUND INC.

Schedule of investments (unaudited)

September 30, 2010

	SHARES	VALUE
SECURITY		
COMMON STOCKS 60.5%		
Apartments 7.8%		
American Campus Communities Inc.	153,900	\$ 4,684,716
Camden Property Trust	117,300	5,626,881
Equity Residential	45,000	2,140,650
<i>Total Apartments</i>		<i>12,452,247</i>
Diversified 1.5%		
Dundee Real Estate Investment Trust	90,000	2,457,090
Health Care 10.3%		
HCP Inc.	160,000	5,756,800
Nationwide Health Properties Inc.	87,000	3,364,290
OMEGA Healthcare Investors Inc.	235,000	5,275,750
Senior Housing Properties Trust	90,000	2,115,000
<i>Total Health Care</i>		<i>16,511,840</i>
Industrial 4.8%		
DCT Industrial Trust Inc.	375,000	1,796,250
First Potomac Realty Trust	390,000	5,850,000
<i>Total Industrial</i>		<i>7,646,250</i>
Industrial/Office - Mixed 2.4%		
Liberty Property Trust	120,000	3,828,000
Lodging/Resorts 1.0%		
Hospitality Properties Trust	70,000	1,563,100
Office 10.5%		
BioMed Realty Trust Inc.	111,500	1,998,080
CommonWealth REIT	112,500	2,880,000
Highwoods Properties Inc.	60,400	1,961,188
Kilroy Realty Corp.	163,400	5,415,076
Mack-Cali Realty Corp.	138,400	4,527,064
<i>Total Office</i>		<i>16,781,408</i>
Regional Malls 4.3%		
Macerich Co.	161,000	6,914,950
Retail - Free Standing 8.2%		
Getty Realty Corp.	175,000	4,695,250
National Retail Properties Inc.	220,000	5,524,200
Realty Income Corp.	83,000	2,798,760
<i>Total Retail - Free Standing</i>		<i>13,018,210</i>
Shopping Centers 6.2%		
Kite Realty Group Trust	397,900	1,766,676
Primaris Retail Real Estate Investment Trust	225,000	4,268,636
Ramco-Gershenson Properties Trust	77,400	828,954
Regency Centers Corp.	75,000	2,960,250
<i>Total Shopping Centers</i>		<i>9,824,516</i>
Specialty 3.5%		
Entertainment Properties Trust	130,800	5,647,944
TOTAL COMMON STOCKS (Cost \$79,259,257)		96,645,555

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	RATE		
PREFERRED STOCKS	39.3%		
Apartments 3.2%			
Apartment Investment & Management Co., Cumulative, Series Y	7.875%	70,000	1,786,400
Apartment Investment & Management Co., Cumulative, Series U	7.750%	70,000	1,775,900
BRE Properties Inc., Series C	6.750%	60,000	1,497,000
<i>Total Apartments</i>			5,059,300
Diversified 8.0%			
Duke Realty Corp., Series M	6.950%	175,000	4,352,250
LBA Realty Fund LP, Cumulative Redeemable	8.750%	90,000	2,880,000(a)(b)
PS Business Parks Inc., Series M	7.200%	75,000	1,880,250

See Notes to Schedule of Investments.

LMP REAL ESTATE INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

September 30, 2010

SECURITY	RATE	SHARES	VALUE
Diversified continued			
PS Business Parks Inc., Cumulative Redeemable, Series O	7.375%	45,000	\$ 1,163,250
Vornado Realty Trust, Cumulative Redeemable, Series G	6.625%	100,000	2,456,000
<i>Total Diversified</i>			<i>12,731,750</i>
Health Care 2.4%			
HCP Inc., Series F	7.100%	100,000	2,487,000
OMEGA Healthcare Investors Inc., Cumulative Redeemable, Series D	8.375%	55,000	1,413,500
<i>Total Health Care</i>			<i>3,900,500</i>
Lodging/Resorts 4.8%			
Hospitality Properties Trust, Cumulative Redeemable, Series B	8.875%	71,100	1,823,004
LaSalle Hotel Properties, Cumulative Redeemable, Series G	7.250%	52,900	1,255,978
Strategic Hotels Capital Inc., Series B	8.250%	94,300	2,149,333*
Sunstone Hotel Investors Inc., Cumulative Redeemable, Series A	8.000%	100,100	2,483,731
<i>Total Lodging/Resorts</i>			<i>7,712,046</i>
Office 4.2%			
BioMed Realty Trust Inc., Series A	7.375%	130,000	3,290,300
Brandywine Realty Trust, Series D	7.375%	46,400	1,148,400
Commonwealth REIT, Series B	8.750%	51,183	1,297,489
Corporate Office Properties Trust, Cumulative Redeemable, Series J	7.625%	40,000	1,008,800
<i>Total Office</i>			<i>6,744,989</i>
Regional Malls 2.4%			
Glimcher Realty Trust, Cumulative Redeemable, Series F	8.750%	85,000	2,125,000
Taubman Centers Inc., Cumulative Redeemable, Series H	7.625%	70,000	1,769,691
<i>Total Regional Malls</i>			<i>3,894,691</i>
Retail - Free Standing 2.5%			
National Retail Properties Inc., Cumulative Redeemable, Series C	7.375%	85,000	2,151,563
Realty Income Corp., Cumulative Redeemable, Series E	6.750%	70,000	1,773,800
<i>Total Retail - Free Standing</i>			<i>3,925,363</i>
Shopping Centers 8.6%			
Cedar Shopping Centers Inc., Cumulative Redeemable, Series A	8.875%	50,000	1,285,000
Developers Diversified Realty Corp., Cumulative Redeemable, Class G	8.000%	13,300	333,697
Kimco Realty Corp., Series G	7.750%	209,100	5,357,142
	8.500%	63,800	6,856,905

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Urstadt Biddle Properties Inc., Cumulative, Series C <i>Total Shopping Centers</i>				13,832,744
Storage 3.2%				
Public Storage Inc., Cumulative Redeemable, Series L	6.750%	200,000		5,080,000
TOTAL PREFERRED STOCKS (Cost \$63,530,710)				62,881,383
TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS (Cost \$142,789,967)			\$	159,526,938

See Notes to Schedule of Investments.

LMP REAL ESTATE INCOME FUND INC.

Schedule of investments (unaudited) (cont d)

September 30, 2010

SECURITY	RATE	MATURITY DATE	FACE AMOUNT	VALUE
SHORT-TERM INVESTMENTS 0.2%				
Repurchase Agreements 0.2%				
Interest in \$291,952,000 joint tri-party repurchase agreement dated 9/30/10 with Barclays Capital Inc.; Proceeds at maturity - \$395,002; (Fully collateralized by U.S. government obligations, 6.500% due 11/15/26; Market value - \$402,900)				
(Cost - \$395,000)	0.200%	10/1/10	\$ 395,000	\$ 395,000
TOTAL INVESTMENTS 100.0% (Cost \$143,184,967#)				\$ 159,921,938

* Non-income producing security.

(a) Security is valued in good faith at fair value in accordance with procedures approved by the Board of Directors (See Note 1).

(b) Security is exempt from registration under Rule 144A of the Securities Act of 1933. This security may be resold in transactions that are exempt from registration, normally to qualified institutional buyers. This security has been deemed liquid pursuant to guidelines approved by the Board of Directors, unless otherwise noted.

Aggregate cost for federal income tax purposes is substantially the same.

Abbreviation used in this schedule:

REIT - Real Estate Investment Trust

See Notes to Schedule of Investments.

Notes to Schedule of Investments (unaudited)

1. Organization and Significant Accounting Policies

LMP Real Estate Income Fund Inc. (the Fund) was incorporated in Maryland and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's primary investment objective is high current income and the Fund's secondary objective is capital appreciation.

The following are significant accounting policies consistently followed by the Fund and are in conformity with U.S. generally accepted accounting principles (GAAP).

(a) Investment Valuation. Equity securities for which market quotations are available are valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. Debt securities are valued at the mean between the last quoted bid and asked prices provided by an independent pricing service, which are based on transactions in debt obligations, quotations from bond dealers, market transactions in comparable securities and various other relationships between securities. When prices are not readily available, or are determined not to reflect fair value, such as when the value of a security has been significantly affected by events after the close of the exchange or market on which the security is principally traded, but before the Fund calculates its net asset value, the Fund values these securities at fair value as determined in accordance with procedures approved by the Fund's Board of Directors. Short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates fair value.

The Fund has adopted Financial Accounting Standards Board Codification Topic 820 (ASC Topic 820). ASC Topic 820 establishes a single definition of fair value, creates a three-tier hierarchy as a framework for measuring fair value based on inputs used to value the Fund's investments, and requires additional disclosure about fair value. The hierarchy of inputs is summarized below.

- Level 1 quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The Fund uses valuation techniques to measure fair value that are consistent with the market approach and/or income approach, depending on the type of security and the particular circumstance. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable securities. The income approach uses valuation techniques to discount estimated future cash flows to present value.

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The following is a summary of the inputs used in valuing the Fund's assets and liabilities carried at fair value:

DESCRIPTION	QUOTED PRICES	OTHER SIGNIFICANT OBSERVABLE INPUTS	SIGNIFICANT UNOBSERVABLE INPUTS
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